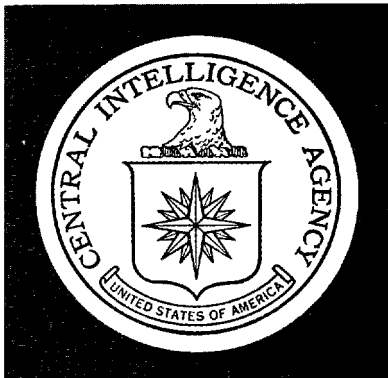


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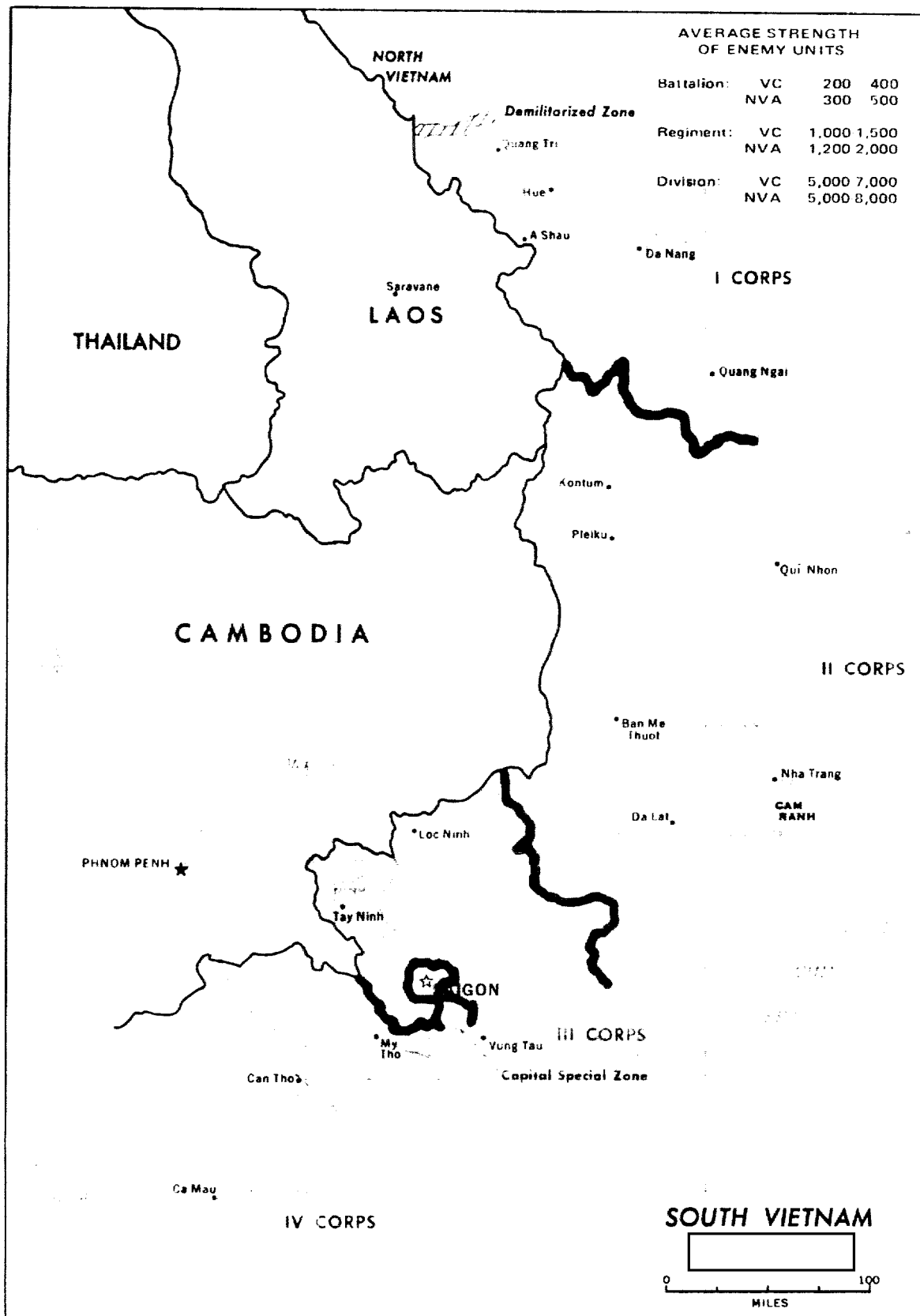
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Vietnam: Communist forces stepped up shelling attacks in the III and IV corps areas over the week-end, interrupting a lull in enemy-initiated activity that had held for about two weeks.

Some 40 mortar and rocket barrages were reported during the night of 5-6 July, about half of which resulted in light casualties and damages to allied bases and towns. Two rockets impacted harmlessly in Saigon. Ground fighting remained generally light and scattered in all corps areas, continuing a trend set late in June.

The Communist shellings probably signal the start of the enemy's July campaign, forecast [redacted] as the final and most intense phase of the over-all summer offensive. The current partially disengaged posture of the enemy's main force, however, suggests that the July campaign will be a limited phase of attacks similar to those in May and June.

A number of sources have reported Communist plans to take some new political initiatives in conjunction with upcoming attacks. One prisoner from the northern delta said that his unit's mission is to ensure that a shadow regime, presumably the Provisional Revolutionary Government (PRG), will "emerge" during the offensive. Although he gave no specifics, the prisoner apparently was referring to some plan for popularizing the PRG locally throughout the country.

In at least one province, Tay Ninh, the Communists are not counting on propaganda alone, but intend to put teeth into their claims to political power by launching additional attacks against urban areas. The enemy also appears to be trying to get another round of terrorist attacks going in Saigon, despite the difficulties in organizing such operations in the past.

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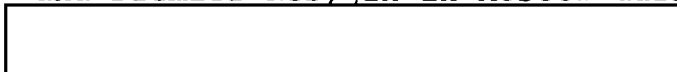
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Xuan Thuy's airport news conference following his return to Paris on 5 July offered no clues of upcoming Communist moves at the Paris talks. Hanoi's chief negotiator stuck to standard Communist formulations in his statements. He dodged queries about the reduced level of fighting and the cut-back in North Vietnamese troop infiltration. Thuy said that such questions concerning events in South Vietnam should be addressed to the PRG.

Thuy had been absent from Paris for about six weeks. He touched base with Chou En-lai in Peking and Premier Kosygin in Moscow during his return trip.

(Map)



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USSR-Romania: The Soviet leaders apparently have put off their projected trip to Romania in reaction to the President's visit.

Although there has been no authoritative statement on the matter, some minor Soviet officials are saying that the Soviet leaders will not now be visiting Romania to sign a new friendship treaty. A Soviet Embassy counselor in Bucharest hinted that the Romanians might have to travel to Moscow for the signing of the treaty. The editor of a Soviet weekly denied to a US Embassy officer in Moscow on 4 July that the Soviet leaders would be going to Romania in the near future, adding the spurious claim that stories about the trip had only been speculation coming from non-Soviet sources.

Romanian officials are noncommittal on the prospects for the treaty-signing. In contrast to earlier remarks, First Deputy Foreign Minister Macovescu contended on 4 July that nothing had been decided on the visit by the Soviets.

Further Soviet countermoves to the Presidential trip are probably still under review in Moscow. Among indications of this have been the failure of the Soviet ambassador to return to Bucharest on 2 July as had been expected and the continuing lack of direct editorial comment in the Soviet press. The Soviet press, however, has indirectly expressed Moscow's displeasure by citing adverse Western editorial comment on the trip.



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Italy: A realignment of political forces is now under way.

Prime Minister Mariano Rumor's government, which resigned on 5 July, will stay on in a caretaker capacity until a decision is reached on a new government. The resignation was forced when the Socialist Party, formed in 1966 by the anti-Communist Social Democrats and the old-line Socialists, redivided last week into two separate political parties.

Factionalism is also acute in the Christian Democratic party, which must elect new leaders at its National Council meeting that convenes on 9 July. There are increasing demands within the party that both leadership and policy assume a more pro-labor orientation. Left-wing Christian Democrats, like the left-wing Socialists, insist that the democratic parties should open a "dialogue" with the Italian Communist Party, which has shown increased independence from Moscow during the past year.

The US Embassy in Rome notes, nevertheless, that several Christian Democratic leaders had estimated that a Socialist Party split would result in a centrist leadership group for the Christian Democrats, excluding the extremists on left and right. Such leadership might then seek to establish a minority Christian Democratic government, at least for the summer.

A prospect of increasing labor unrest seems likely to accentuate political dissension. Labor negotiations scheduled for the second half of 1969 involve some 50 national contracts and four million workers, one fifth of the country's entire labor force. The industries affected are far more critical for the economy than those industries that have been involved in contract negotiations over the past 12 months.

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Burma: Prospects for bringing civilians into the military regime continue to recede.

Although General Ne Win broached the possibility of civilian participation in the government last fall, recent events indicate that he has acceded to strong resistance within the military. He reportedly indicated to the ruling military Revolutionary Council in late June that he might wait two more years before permitting any significant loosening of the tight military hold on the government. The appointment on 2 July of four high-level military commanders to new deputy government minister positions was probably intended to discourage hopes of former civilian officials for early participation in the government.

The disappointment of civilian politicians may prompt them into open criticism of continuing military rule. Although civilian criticism would pose no threat to the Ne Win regime, it would strengthen the hand of the hardliners among the military who are firmly opposed to sharing power with civilians.



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Indonesia: A small group of self-appointed Indonesian Communist Party cadre is making preliminary efforts to establish a new party organization, but so far has made no real progress.

The already weakened party was left in disarray in 1968 after the government suppressed the armed struggle campaign in East and Central Java and virtually wiped out the party's surviving top leadership. Since then, more moderate cadre have assumed de facto leadership of the party and have sought to institute a pragmatic reorganization.

In a series of meetings during April and May, they established a three-member liaison committee to oversee organizational activities. A secretariat was also formed to carry out the committee's directives. These party leaders have shelved the idea of establishing a central committee and politburo until area committees are again functioning.

Although the new leadership has approved the formation of selected party committees throughout Java, little actual rebuilding appears to have taken place. Security conditions in Indonesia still make it difficult for party activists to function. Further, the failure to establish a central committee and a party program beyond meeting reorganizational needs underscores the weakness of the party and the present leadership's hope of avoiding more internal splits by delaying discussion of controversial policies and tactics. Former party leaders who are in exile in a number of countries appear to have little influence on the present leaders.

One plan aimed at meeting both moderate and militant demands was submitted in late April to a meeting of senior cadre. It called for separating party operations in the urban and rural areas, with rural

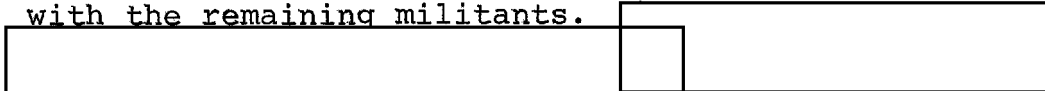
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cadre exploiting local social and economic grievances and urban cadre working to organize intellectuals and laborers. Although the plan was apparently given a cool reception, such a division could evolve naturally if party cadre fail to reach a consensus on party tactics and to find some common meeting ground with the remaining militants.



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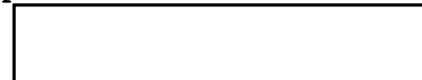
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Kenya: The still unsolved assassination of Tom Mboya does not alter the immediate political equation, but could threaten long-range stability.

The dominance of Kikuyu politicians--President Kenyatta's own tribe--continues, and this group controls security forces that appear capable of coping with any anti-Kikuyu reaction from members of Mboya's Luo tribe. The opposition Kenya People's Union, which is led by the pro-Communist Oginga Odinga, has a Luo tribal base, but prospects for turning Mboya's assassination to its advantage are limited, largely because of the party's weakened position after years of harassment by the government.

Mboya's talents will be sorely missed. Kenyatta recently assigned Mboya responsibility for management of the campaign for general parliamentary elections promised before June 1970, the first since independence. The ruling party has no one approaching Mboya's competence in this sphere. Similarly, Mboya's successful handling of Kenya's economic development offered hopeful prospects for mitigating popular discontent. Although Mboya was viewed by some Kikuyu leaders as the major obstacle to their continued dominance, he was one of the few politicians qualified to ease the difficult transition period after the departure of the aged Kenyatta.



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